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EXECUTIVE COMMITTEE OF THE
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Forty-ninth session

OVERVIEW OF UNHCR ACTIVITIES 1997 - 1999

ADDENDUM 3 - REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS

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1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations High Commissioner for Refugees, entitled "Overview of UNHCR Activities, 1997-1999" (A/AC.96/900 and Add.1). The Committee had also before it an update on UNHCR's programme and funding projections for 1998 and 1999 (A/AC.96/900/Add.2), an advance copy of the report of the Board of Auditors to the General Assembly on the 1997 UNHCR accounts (A/AC.96/901), a report on measures taken or proposed by UNHCR in response to the recommendations of the Board of Auditors for the year 1997 (A/AC.96/901/Add.1) and conference room papers on issues dealing with UNHCR's proposed budget structure (EC/48/SC/CRP.43) and on change management process (EC/48/SC/CRP.44). During its consideration of these matters, the Committee met with representatives of the High Commissioner who provided additional information.

2. The Advisory Committee welcomes the improved presentation of document A/AC.96/900 and UNHCR's follow up of the recommendations of the Committee. It notes that the document includes additional tables requested by the Committee, cross-references to paragraphs of the document and, to facilitate review of the report, principal issues, as those listed, in paragraph 15 of document A/AC.96/900 have been highlighted. The Committee further notes that, Chapter I of the Overview document addresses those issues that have been of concern to the Executive Committee, the Board of Auditors and the ACABQ in recent years.

3. As indicated in paragraph 21 of document A/AC.96/900, the overall population of concern to UNHCR fell from 22.7 million in 1996 to some 22.4 million in 1997, comprising 12 million refugees, 3.1 million returnees and 5.9 million internally displaced persons and 1.4 million asylum-seekers and others. In 1997, the actual number of refugees fell by 1.2 million, with most of the decrease in the refugee population recorded in Africa (see annexes I.A and I.B to A/AC.96/900). The decline in 1997, by some 300,000 in the total population of concern to UNHCR, is obscured by the fact that asylum-seekers were recorded for the first time in 1997 as part of the total population of concern to UNHCR (see also UNHCR's "Refugees and Others of Concern to UNHCR. 1997 Statistical Overview," Geneva, July 1998).

4. The Advisory Committee notes that there appears to be a continuing decrease of the refugee case load and related activities in some regions. Related programme trends reflect real downsizing of operations in the Asia and Pacific region and the Americas region. In Eastern Europe and the Central Asian republics, however, programme trends show expansion. In Africa the situation is more complex, because "current budgets do not reflect the assessed needs, but rather, the projected funding" for operations and "because of funding constraints, UNHCR will have to reduce significantly its activities" (A/AC.96/900, paras. 169-176).

Oversight and audit issues

5. The Advisory Committee notes from paragraph 16(e) of the Overview document that the proposed draft decision on administrative and financial matters of UNHCR also deals with the report of the Board of Auditors on the 1997 accounts (A/AC.96/901). The Committee exchanged views with representatives of UNHCR on the Board's report and on the measures taken or proposed by the UNHCR in response to the recommendations of the Board. The Committee met with the Audit Operations Committee of the Board of Auditors

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and will submit its comments and recommendations to the General Assembly at its fifty-third session. The Committee will address, in particular, the questions of biennial audit. It will also address the issues of the recognition of income and the timing of the submission of audit certificates by implementing partners, matters which the High Commissioner has requested guidance in her comments on the Board's recommendation (A/AC.96/901/Add.1, paras. 2, 15 and 17). Those observations and recommendations will be available to the Executive Committee of the High Commissioner's programme in the light of such decisions as may be taken by the General Assembly.

Resources

6. The Advisory Committee notes that considerable attention is given in the Overview document to the question of resources (paras. 47-52 and 140-146). Particular attention is given to the role of UNHCR's Operations review Board (ORB) (paragraphs 49-50) and resource utilization in 1997 and projected funding for 1998 and 1999 for General Programmes and Special Programmes, as at 31 May 1998, (paragraphs 140-146). An update on programme targets and funding projections for 1998 and 1999, as at 1 August 1998, is presented in document A/AC.96/900/Add.2.

7. The Advisory Committee was also furnished with a table showing an update of UNHCR expenditures for 1995-1997 and projected resources for the years 1998-1999, including carry-overs from one year into the next. This is attached to this report as annex I. This update also shows expenditures of General Programmes, Special Programmes and United Nations regular budget support, broken down by operational activities, programme delivery and administrative support.

8. As shown in the resource update provided to the Committee (annex I to this report), in 1997 excluding funds from the regular budget of the United Nations, total voluntary funds available to UNHCR under all sources of funds amounted to $1,111,452,000 as compared to $1,356,753,800 for 1996. For 1998, revised projections of voluntary funds stand at $886,600,000 or 20.2 per cent less than in 1997. The Advisory Committee notes that UNHCR continues to face serious resource constraints. The Committee was informed that the most serious challenge currently facing the Office of the High Commissioner is the significant shortfall in financial resources to address the identified needs of people of direct concern to UNHCR.

9. With respect to General Programmes, the Committee notes from paragraph 2 of document A/AC.96/900/Add.2 that due to, inter alia, the low carry-over from 1997 ($2.5 million) and the anticipated shortfalls in expected income, the General Programme budget for 1998 has been revised from $440 million, approved by the Executive Committee at its forty-eighth session, to $429 million proposed in the Overview document (see A/AC.96/900, tables II.4 and II.5). The Committee was informed that UNHCR has been managing its General Programmes on an operating budget provisionally set at $370 million in the light of the total projected income for 1998 of $364.5 million (see A/AC.96/900/Add.2, annex 1). The Committee was informed that UNHCR will continue its dialogue with donors, with a view to improving the situation.

10. The funding situation for Special Programmes is equally as serious. As shown in annex 1 to document A/AC.96/900/Add.2, the operating budget for 1998 under Special Programmes, as at 1 August 1998, amounts to $551.5

million. These projections are now some $18.8 million higher than those presented in the Overview document, paragraph 160 and table II.9. Reasons for these increases are given in paragraph 6 of document A/AC.96/900/Add.2.

Programme delivery and administrative support

11. The Advisory Committee notes that, as indicated in the resource projections provided to the Committee (annex I to this report), over the period 1995-1999, the projected decrease in administrative support costs is significantly less than the projected decrease of operational costs. For example, in 1995 total administrative support expenditure (including regular budget expenditure) amounted to $107,295,100, or 9.2 per cent of the total 1995 expenditure, as compared to total projected administrative support expenditure of $111,556,700 for 1999, or 12.9 per cent of the total 1999 projected expenditure. In the case of Special Programmes, the increase in administrative expenditure, as compared to increases in operational expenditure, is more pronounced; in 1995 administrative expenditures of Special Programmes amounted to $44,713,600, or 6.1 per cent of the total 1995 expenditure, as compared to projected administrative support expenditure of $51,250,300 for 1999, or 11.9 per cent of the total projected expenditure for 1999. Upon inquiry, the Advisory Committee was informed that some of the expenditure currently classified as administrative and programme support expenditure also included amounts which could be classified as programme expenditure.

12. Section IX of the Overview document (paras. 178-188) provides, as at 31 May 1998, levels and trends in Programme Delivery (PD) costs and Administrative Support (AS) costs for the field and headquarters and gives variations in these costs for 1997-1999. In 1997 expenditures for PD and AS costs amounted to $370,283,000 ($266,236,600 for PD and $104,046,400 for AS), or about 37.2 percent of the total expenditure of $995,180,900 in 1997. For 1998, the revised estimates for PD and AS costs amount to $344,659,200 ($241,599,000 for PD and $103,060,200 for AS), or 35.0 per cent of the estimated total expenditure of $983,746,500 for 1998. For 1999, PD and AS costs are projects at $324,713,100 ($213,156,400 for PD and $111,556,700 for AS), or 37.7 per cent of the initial projected expenditure of $861,949,200 (see also A/AC.96/900, table II. 22).

13. The Advisory Committee has commented previously on the subjectivity and arbitrariness of the classification of Programme Delivery and Administrative Support costs and on the wide variation in PD and AS costs shown under various regions (A/AC.96/884/Add.3, paras. 27). In this connection, the Advisory Committee was informed that the problems identified by the Committee would be addressed by the proposed new budget structure including making more clear the relationship between programme delivery and administrative and programme support costs in regional operations.

14. The Committee notes from paragraph 178 of document A/AC.96/900 that, beginning with the budget for the year 2000, UNHCR will adopt new categories to capture expenditure related to Programmes, Management and Administration, and Programme Support in respond to recommendations of the Committee (A/AC.96/884/Add.3, para. 29). In its next budget presentation, UNHCR should attempt to more clearly isolate budget changes related to downsizing of operations as result of decrease in refugee case load, from changes due to shortfall in resources.

15. The Advisory Committee notes from paragraph 182 of the Overview document that UNHCR's current budgeting system for the Programme Delivery and Administrative Support budget allows it to change the parameters of the system for exchange rates, salary scales, post adjustment multipliers, common staff costs percentages and vacancy factors, but it cannot show the separate effect of each of these changes. For example, the effect of changes in exchange rates cannot be shown separately from the effect of changes in vacancy factors. The system can only show the total combined effect of the changes to the parameters. Furthermore, in the current system, it is also not possible to build in a specific inflation rate into the budget estimates. The Committee trusts that these shortcomings in the budget system will be corrected in the new budget system discussed in paragraphs 405-407 of the Overview document. (see para. 24 below.)

16. UNHCR staffing levels and trends are discussed in paragraphs 163-168 of the Overview document. At 1 July 1998, the total number of posts stood at 4,769 (4,038 in the field and 731 at headquarters), as compared to 5,238 posts (4,423 in the field and 815 at headquarters) at 1 July 1997. An analysis of post levels, both in terms of the number of posts and work-years for the field and headquarters is shown in table II.10.

17. As indicated in paragraph 50 of the Overview document, the Advisory Committee notes that measures taken to bridge the gap between expected income and the proposed budget for 1998 included "a thorough review of posts" in the field and at headquarters. From 1 July 1997 to 1 July 1998, the overall decrease in field staff was 385 posts or 8.7 per cent, and for headquarters 84 posts, or 10.3 per cent. For the field, the post review is still being finalized (A/AC.96/900, paras. 54 and 166). For headquarters, the post reduction is attributable both to the continuing post cuts under project Delphi and the post review that took place in early 1998 (A/AC.96/900, para. 165). The Committee recalls that it had requested that the High Commissioner ensure, to the extent possible, that staffing and management reviews take place prior to legislative review of the proposed budget, and whenever possible, prior to the publication of the budget document. In this connection, the Committee was informed that the High Commissioner was contemplating a structural review of her office in particular those field offices that have been the subject of downsizing. Any savings arising from post and structural reviews would be reflected in the revised 1999 budget both for the field and for headquarters.

18. For the revised 1998 and initial 1999 budget, table II.12 shows the distribution of Programme Delivery post requirements (in work-years) for the field and headquarters, and table II. 13 shows Administrative Support post requirements (in work-years) for the field and headquarters. For headquarters, the revised 1998 post requirements of 731(745.7 work-years) comprise 307.3 work-years for Programme Delivery and 438.4 work-years for Administrative Support. For 1999 the initial post requirements for headquarters of 672(671.5 work-years) comprise 259.5 work-years for Programme Delivery and 412.0 work-years for Administrative Support. The Advisory Committee was informed that under the new budget structure to be introduced as of the year 2000 (see paragraph 32), posts currently designated as PD and AS posts will be designated under the new agreed budgetary definitions of "Programme Support", "Management and Administration" and "Programme." For reasons of budgetary harmonization and comparability, UNHCR will also

categorize posts on the basis of the primary function of the unit where the posts are situated, as currently done by UNDP, UNICEF and UNFPA (EC/48/SC/CRP.43, para. 15).

19. The Advisory Committee notes from paragraphs 187-188 of document A/AC.96/900 that for the revised 1998 estimates, the vacancy factors have been changed from 15 to 12.5 per cent for Professional posts and from 10 to 7.5 for General Service posts and, for the initial 1999 estimates, from 12.5 to 10 per cent for Professional posts and from 7.5 to 5 per cent for General Service posts. The Committee recalls that, in the context of implementation of General Assembly resolution 50/214, UNHCR was requested to make arrangements to save approximately $1.4 million on its regular budget posts. This was done by UNHCR by implementing a vacancy rate of 10 per cent or 24 posts in 1996-1997. The Committee recalls that as the functions of these posts could not be dispensed with, UNHCR funded the cost of the posts from its voluntary contributions. The Committee questioned the rational for transferring regular budget funding to extra-budgetary funding, particularly when UNHCR was in the process of reducing posts as a result, inter alia, of a steady decline of extra-budgetary resources (A/AC.96/884/Add.3, para. 24).

Change management process (project Delphi)

20. Paragraphs 43-46 of Chapter I (Perspective and Other Issues) and 387-420 of Chapter XI (Other Programmes) of the Overview document discuss the status of project Delphi. The Advisory Committee notes from paragraph 44 that, according to UNHCR's report to the 10th meeting of the Standing Committee in February 1998 (EC/48/SC/CRP.6), more than half of the actions listed in the implementation plan had been carried out by the end of 1997, and many others had achieved substantial progress. Six priority areas have been identified and are the focus for concerted efforts in the change process, as follows:

(i) Operations Management System (OMS); the revised 1998 budget amounts to $1.4 million and the initial 1999 budget to $1.3 million, including $605,000 for development of the protection and programme management software system (paras. 388-393);

(ii) Protection; for 1999, $342,000 is proposed for prototype testing and installation at headquarters and subsequent roll-out to five major regional sites of a Critical Events component (paras. 394-397);

(iii) Supply chain; for 1999, provision of $3.4 million is proposed for information technology activities and of $1.0 million for selection and training of Supply staff (paras. 398-403);

(iv) System replacement; for 1999, provision of $6.3 million is requested for information technology development costs (paras. 404-409);

(v) Human Resources Management; for 1999, an amount of $1.6 million has been budgeted for the further design and development of new

Human Resources systems for both Field and Headquarters, which will eventually replace the current legacy system (paras. 410-416); and

(vi) Financial Services (paras. 417-420).

21. As indicated in paragraph 45-46 of the Overview document, activities commenced under the project Delphi are being mainstreamed throughout UNHCR's management structure and budgetary estimates for the above-mentioned priorities are included under the provisions of the respective Divisions. The Committee notes that some $2.9 million of the overall training budget of $5.9 million for 1998 relates specifically to Change Management training activities. The Committee welcomes measures taken to coordinate the six priority areas, not only for existing change initiatives, but for any future change projects.

22. The Advisory Committee notes that the resources budgeted for 1998 and 1999 for the six-priority areas of the change process are not clearly identified in the document. Upon request, the Committee was furnished with an updated schedule of the budgets for the Change Management Process (see annex II to this report). The Committee recommends that, in the future, all provisions requested in connection with the six-priority areas of the change process be clearly identified, preferably in a tabulation that shows comprehensive resources, including staff, software and hardware costs.

Information technology

23. The Advisory Committee notes from paragraph 76 of document A/AC.96/900 that UNHCR has now taken a position on IMIS, concluding that IMIS is not an appropriate solution for UNHCR's information technology needs. In a related move, the Committee was informed that UNHCR had recently signed an agreement with the World health Organization (WHO) to use WHO's payroll facilities in Geneva for UNHCR's needs, starting before the year 2000. The United Nations Office in Geneva will continue to provide payroll services to UNHCR for the period 1998-1999. Upon request, the Committee was provided with the breakdown of payments to UNOG for services to UNHCR in 1997 (see annex III to this report).

24. Paragraphs 95-103 of the Overview document discuss the information technology (IT) needs of UNHCR. The Advisory Committee notes that UNHCR is in the process of finalizing its IT strategy. UNHCR has determined that IT should serve the direction that UNHCR adopted as a consequence of the Change Management Process (project Delphi), in particular the intention to introduce a new Operations Management System (OMS). The primary focus of UNHCR's IT initiatives is support of the new OMS. UNHCR's overall policy is primarily determined by the need to support a major initiative in decentralization. Information technology must, therefore, support access to information, wherever it is required, and provide inter-operability among various systems. UNHCR aims to provide an integrated enterprise-wide system linking core systems of finance, budget, supply chain and human resources electronically to field systems in all locations (A/AC.96/900, paras. 95-96). Upon inquiry, the Committee was informed that the 1999 initial budget includes $948,100 for an interim payroll solution, $978,000 in support of the integration of OMS field systems and $7,240,000 for IT development costs. (see also A/AC.96/900/Corr.1, para. 17).

25. The Advisory Committee notes from paragraphs 16-17 of document EC/48/SC/CRP.44 that progress has been made in the replacement of UNHCR's information technology systems. A list of potential IT systems initiatives has been identified and progress is being made in identifying requirements (see EC/48/SC/CRP.44, annex). In March 1998, an Operations Management Systems (OMS) Project Board and an IT Steering Committee were established to strengthen the IT function within the organization. Furthermore, the Information and Communications System Service (ICSS) is now supervised directly by the Deputy High Commissioner, with a role which cuts across all Bureaux and Divisions and providing an increased emphasis on support to field operations. (EC/48/SC/CRP.44, paras. 3 and 16-17).

26. The Advisory Committee is of the view that UNHCR's IT initiatives in the six-priority areas of the change process mentioned above should be subjected to a rigorous process of the identification of needs; of the design of appropriate systems for the needs identified; and the development, testing and implementation of such systems. There should be an appropriate systems development schedule and related costs, with target dates for delivery of the developed systems. Where development is contracted to outside companies, there must be available within UNHCR qualified staff to monitor and manage all such contracted services. The Committee stresses, in particular, the importance of ensuring that a core staff is dedicated to systems coordination and management and that such staff should not be encumbered with other activities. Payments to contractors must be based on strict compliance with contract provisions including the requirement that the developed systems must be tested fully by the contractors and determined to be functional before they are accepted by the High Commissioner's Office.

27. The Advisory Committee welcomes the inventory of information technology systems presented in summary form in paragraphs 104-119 of the Overview document, in response to a request of the Committee. The inventory is subdivided between the core systems and field systems and costs related to the development and management of these systems are shown in Table I.1 of document A/AC.96/900. The Committee requests that UNHCR should coordinate carefully the replacement of old systems with the development of new ones to ensure that the operations and management of the office are not disrupted.

28. The Advisory Committee notes that UNHCR has taken a number of steps to ensure that UNHCR's current computer systems will not encounter the Year 2000 software problems (A/AC.96/900, para. 101). Efforts are been made to ensure that UNHCR's current systems are Year-2000 compliant by the end of the first quarter of 1999. The Committee was informed that, as there are many aspects of UNHCR's operations over which it has no control, such as banking facilities and food supplies, field offices have been requested to make contingency arrangements.

Training

29. Staff training is discussed in paragraphs 66-71 and 430-464 of the Overview document, and table XI.A shows budget estimates and categories of training for UNHCR staff for the period 1997-1999. The Advisory Committee notes from paragraph 67 that UNHCR aims to dedicate two per cent of staff costs under its budget for programme delivery and administrative support to

staff training. The revised 1998 budget estimates for training amount to $5,875,000 and for the initial 1999 budget to $4,379,800.

30. The Advisory Committee welcomes measures taken to implement previous recommendations of the Committee, such as those indicated in paragraphs 68 and 71 of the Overview document. The Committee notes that expenditure for training of implementing partners may be in the order of $6.5 million and that separate and unique codes will be introduced in 1999 to capture budgetary information on training activities for non-UNHCR staff (A/AC.96/900, para. 69).

31. As indicated in paragraph 70 of the Overview document, in 1997, it is estimated that more than 5000 NGO staff members world-wide benefitted from UNHCR sponsored training. The Advisory Committee welcomes the efforts made by UNHCR to respond to the needs of implementing partners. The Committee, however, reiterates its view that UNHCR should ensure that those trained are connected with UNHCR operations.

Budget structure

32. The Advisory Committee notes from paragraph 72 of the Overview document that, as recommended by the Committee, UNHCR has reviewed the criteria for classifying its expenditures. Taking into account the work already done by UNDP, UNFPA and UNICEF on this subject, wherever possible, UNHCR has adopted agreed budgetary definition of these organizations for its support budget (EC/48/SC/CRP.13, annex 2) (see also paragraph 17 above). UNHCR has undertaken substantial preliminary work in order to introduce these new budgetary definitions as of the year 2000. As part of its review to introduce the new expenditure definitions, UNHCR applied the new definitions of "Programme Support", "Management and Administration" and "Programme" to one large country operation (Kenya) and headquarters (see EC/48/SC/CRP.43, annex 3).

33. In addition to the above-mentioned changes in definitions of expenditures for administration and programme support, the Advisory Committee notes that the issue of the distinction between General and Special Programmes has also been revisited, as there has been considerable uneasiness and dissatisfaction with this classification of programmes (A/AC.96/900, para. 73). As indicated in paragraphs 1 and 8 of document EC/48/SC/CRP.43, with the trend in recent years to increase the number of statutory activities funded from Special Programmes, the original distinction, which was premised on the fact that General Programmes should cover all of UNHCR's statutory activities, became blurred. In recent years, UNHCR has placed many statutory activities under Special Programmes, principally for funding reasons, thus nullifying the original logic for the distinction between the two categories of General and Special Programmes.

34. The Advisory Committee welcomes this review of programme classification and agrees that the objective for change should meet the goals set out in paragraph 2 of document EC/48/SC/CRP.43. The Committee also agrees with the view that by itself the new programme classification will not necessarily lead to more resources, but it should enable Member States to have a more accurate picture of what is likely to be the overall resources required for the coming year.

35. In the view of the Advisory Committee, the proposed new classification of programmes into two broad categories: "Statutory Activities" and Other Mandated Activities", as defined in paragraph 7 of document EC/48/SC/CRP.43, while representing an improvement over the previous classification, will not eliminate what the Committee has referred to as arbitrariness and subjectivity in UNHCR's classification of programmes and expenditures (see A/AC.96/884/Add.3, para. 27 and paragraph 13 above). Footnote 2 of annex 1 to document EC/48/SC/CRP.43 points to future potential confusion in the application of the proposed new classification of programmes.

36. The Advisory Committee believes that all activities undertaken by the Office of the High Commissioner have to be consistent with the statute of the Office of the High Commissioner. The term "Other Mandated Activities" would imply that some are not consistent with the statute.

37. The Advisory Committee notes that the Executive Committee is mandated to consider the High Commissioner's programme. In the view of the ACABQ, rather than attempt a classification into "statutory activities" and "other mandated activities," the High Commissioner should prepare one consolidated Annual Programme for presentation to the Executive Committee. This programme should comprise all activities currently under implementation for protection of and assistance to refugees and the pursuit of durable solutions (i.e., voluntary repatriation, local integration and resettlement), and as accurately as possible other activities foreseen (e.g., humanitarian activities for the internally displaced and other "Good Office" related activities). The Annual Programme should be submitted to the Executive Committee for approval. Activities that arise after the approval of the annual programme and before the preparation of the next annual programme should be treated as supplementary programme and incorporated into the next annual programme.

38. In the view of the Advisory Committee, the annual programme should be funded from general resources and trust fund resources. The resources from the annual appeal to fund the annual programme would be designated as general resources in the context of the budget preparation process. Supplementary programmes would be funded, in the first instance, from resources of the operational reserve, as discussed below, pending solicitation of supplementary funds. Trust funds will continue to be a source of funding for annual or supplementary programmes, as determined by the donors, and resource commitment to finance activities from trust funds will continue to be made only after receipt of funds.

39. The implication of the above recommendations on the proposed budget structure in document EC/48/SC/CRP.43 is that the statutory activities shown in annex 1, part A, of the document will become the main proposed annual programme of the High Commissioner. Furthermore, the activities listed in annex 1, part B, under other mandated activities will also be incorporated into the annual programme, including activities funded from trust funds that are under implementation.

40. The Committee trusts that these changes will not lead to greater instances of tied funding, i.e., more than what is currently experienced by UNHCR. The Committee recommends that the Executive Committee keep the matter of tied funding under review. Moreover, the Advisory Committee recommends that the Executive Committee provides policy guidelines to assist the High

Commissioner when accepting additional supplementary activities. Such policy should take into account that additional supplementary activities should continue to be consistent with the statute of UNHCR, that the activities cannot be performed by other agencies in the United Nations systems or outside the system, that resources are assured and attainable and that the Office of the High Commissioner has the capacity to carry out such supplementary activities.

41. Currently, UNHCR has three types of reserves; the Emergency Fund, the Voluntary Repatriation Fund and the Programme Reserve. Each is governed by detailed criteria for use as set out in UNHCR financial rules (EC/48/SC/CRP.43, para. 16). The Advisory Committee notes that during the consultations, as referred in paragraph 18 of document EC/48/SC/CRP.43, the question was raised as to whether there should be only one reserve. The Committee is of the view that there should be only one operational reserve. The operational reserve should be set at least at 10 per cent of the previous year's programme expenditures for the annual and supplementary programmes. The United Nations regular budget expenditure should be not taken into account in the calculation of the level of the reserve. The purpose of the operational reserve should comprise the current purposes of the three types of reserve currently at UNHCR, as briefly described in paragraphs 16-19 of document EC/48/SC/CRP.43. The relevant financial regulations and rules should be amended accordingly, subject to prior review by ACABQ.

42. With respect to the timing of the preparation of the new budget, the Advisory Committee recommends that, once the proposed changes have been approved by the Executive Committee, the High Commissioner prepare a prototype and submit it to the ACABQ for review before the budget is formulated. The Committee was informed that the new financial and budget systems being developed under the change management process will be able to support the new budget and programme structure.

UNHCR Expenditures and Resources - for the period 1995 to 1999
(in thousands of US Dollars)

	1995		1996		1997		1998 (REV)*			1999 Initial	
Source of Funds	**US$**	**%**	**US$**	**%**	**US$**	**%**	**US$**		**%**	**US$**	**%**
General Programmes (GP)											
a) Expenditure of which:	**405,068.3**	**100.0%**	**423,487.0**	**100.0%**	**385,064.9**	**100.0%**	**428,973.5**	a	**100.0%**	**413,000.0**	**100.0%**
-Operations	238,648.4	58.9%	252,178.2	59.5%	214,707.1	55.8%	277,901.7	#	64.8%	258,035.9	62.5%
-Programme Delivery	131,765.1	32.5%	136,337.9	32.2%	136,624.4	35.5%	115,913.3		27.0%	114,417.9	27.7%
-Administrative Support	34,644.8	8.6%	34,970.9	8.3%	33,733.4	8.8%	35,158.5		8.2%	40,546.2	9.8%
b) Total Resources	**456,820.9**		**483,670.3**		**385,323.2**		**367,000.0**				
of which carry-over from previous year	56,232.9		51,762.6		30,183.3		2,508.3				
Special Programmes (SP)											
a) Expenditure of which:	**735,194.9**	**100.0%**	**720,469.4**	**100.0%**	**589,001.4**	**100.0%**	**551,488.3**		**100.0%**	**429,189.0**	**100.0%**
-Operations	551,104.6	75.0%	533,374.1	74.0%	410,190.8	69.8%	377,471.6		68.4%	279,200.2	65.1%
-Programme Delivery	139,376.7	19.0%	138,991.5	19.3%	129,612.2	22.0%	127,723.6		23.2%	98,738.5	23.0%
-Administrative Support	44,713.6	6.1%	48,103.8	6.7%	48,198.4	8.2%	46,263.1		8.4%	51,250.3	11.9%
b) Total Resources	**982,360.9**		**903,083.5**		**726,128.8**		**619,600.0**	b			
of which carry-over from previous year	262,043.9		244,478.3		182,614.1		138,127.4				
Regular Budget (RB)											
a) Expenditure of which:	**27,936.7**	**100.0%**	**25,303.6**	**100.0%**	**22,114.6**	**100.0%**	**22,080.5**		**100.0%**	**19,760.2**	**100%**
-Administrative Support	27,936.7	100.0%	25,303.6	100.0%	22,114.6	100.0%	22,080.5		100.0%	19,760.2	100%
b) Total Resources	27,936.7		25,303.6		22,114.6		22,080.5				
Total GP, SP and RB											
a) Expenditure of which:	**1,168,199.9**	**100.0%**	**1,169,260.0**	**100.0%**	**995,180.9**	**100.0%**	**1,002,512.3**		**100.0%**	**861,949.2**	**100.0%**
-Operations	789,753.0	67.6%	785,552.3	67.2%	624,897.9	62.8%	655,373.3		65.4%	537,236.1	62.3%
-Programme Delivery	271,141.8	23.2%	275,329.4	23.5%	266,236.6	26.8%	243,636.9		24.3%	213,156.4	24.7%
-Administrative Support	107,295.1	9.2%	108,378.3	9.3%	104,046.4	10.5%	103,502.1		10.3%	111,556.7	12.9%
b) Total Resources	**1,467,118.5**		**1,382,057.4**		**1,133,566.6**		**988,680.5**				
of which carry-over from previous year	318,276.8		296,240.9		212,797.4		140,635.7				

* estimates and projected resources as at 1st August 1998
a) General Programmes revised target as being presented to EXCOM. Current Operating Budget amounts to USD 370.0 million
b) includes carry-over of $10.9 million for unprogrammed activities
includes balance of reserves

CHANGE MANAGEMENT PROCESS: PRIORITY AREAS [a]

(all sources of funds)

(In thousands of United States dollars)

Activity	1998	1999 Initial [b]
Operations Management System (OMS)	1,426.3 [c]	1,185.0
Protection Data Base (PDB)		342.0
Supply Chain (SC)	1,784.0	4,335.0
Financial Management Systems (FMS)	1,544.5	9,166.1 [d]
Human Resources Management (HRM)	74.6	1,600.0
TOTAL	4,829.4	16,628.1

[a] This Table focuses on the six priority areas of the Change Management Process (paras. 43-46, 387-420 of the Overview document refer); the sixth priority, namely Financial Services is subsumed under Financial Management Training (paras. 454 - 458);

[b] Of which, a total of $ 14,165 has been budgeted for new Information Technology systems: OMS - $ 605.0 (para 393); PDB - $ 342.0 (para 396); SC - $ 3,400.0 (para 403); FMS - $ 7,240 + $ 978.0 (para 407/corrigendum); HRM - $ 1,600.0 (para 416);

[c] Of which, an amount of $ 70.0 has been allocated for the Situation Report project of the Protection Database (para 395);

[d] Of which, $ 7,240.0 is for the development of a new Budget/Finance system, $ 978.0 is for support for its integration with OMS field systems, and $ 948.1 is for the implemention of an interim payroll solution (pending the introduction of new integrated systems).

Other Notes

1. In addition, provision has been made under the 1998 and 1999 budgets for related staff separations (Special Staff Costs) of some $ 3.0 million in 1998 and 1999 respectively.

2. UNHCR training (out of total training budgets of $ 5,875.0 [for 1998] and $ 4,379.8 [for 1999]) related directly to the above activities amount to $ 1,500.0 in 1998 (Financial Management Training [$ 1,000.0] and Personnel Administration [$ 500.0]) and $ 255.3 in 1999 (Financial Management Training [$ 127.6] and Personnel Administration [$ 127.7]). Other training relating to the overall change management process (in the areas of protection, programme management, management, administration & finance, logistics, asset management and the Career Management System) amount to $ 1415.2 (1998) and $ 1497.1 (1999).

UNHCR BUDGET FOR UNOG SERVICES (in thousands of US dollars)

1997 Budget	1997 Expenditures	1998 Initial Budget	1998 Rev.Budget
3266.6	3984.6	3266.6	2766.6

ESTIMATED BREAKDOWN OF UNHCR PAYMENTS TO UNOG PROVIDED BY UNOG ON 24 JUNE 1997.

SERVICES PROVIDED BY UNOG	% of UNOG SERVICES CHARGED TO UNHCR	1997 ESTIMATED EXPENDITURE
Payroll	54.88	721.1
General Payments	35.19	353.6
Medical Insurance	32.15	146.1
Treasury	18.84	71.2
Accounts	50.04	712
Visa	27.6	88.2
Transport/Customs	16.49	82.1
Travel	34.03	108.8
Procurement	8.63	160.2
Pouch	17.1	96.6
Mailing	5.83	31.1
ESS-Repair machines	13.05	34.9
Personnel	50	196.2
Bern Cards	20.45	18.2
Training	13.75	44.6
salary for 12 security guards		1070.4
Indirect costs		64.8
Telephone/Library - 2 staff		178.4
Estimated total as at 24/6/97		4178.5
Actual 1997 expenditures		3984.6

Note: UNOG has not yet communicated to UNHCR the estimated payments for 1998.

PAYMENTS RECEIVED BY UNHCR FROM UNOG in 1997

Reimbursement of services amounts to : $ 1,273,600
as per UNOG memorandum dated 15 April 1997.